Registre de Commerce et des Sociétés
B153414 - L150117157
déposé le 06/07/2015

MENTION

Nom de la société: **European Financial Stability Facility**

Siège social : 6a, Circuit de la Foire Internationale, L-1347 Luxembourg, Grand-Duché de Luxembourg.

N° du Registre de commerce : B 153.414

C.D. O. : 1092

Les comptes annuels au 31 décembre 2014

ont été déposés au Registre de Commerce et des Sociétés de Luxembourg.

Pour mention aux fins de publication au Mémorial, Recueil des sociétés et associations.

Luxembourg, le 3 juillet 2015

European Financial Stability Facility

EFSF

European Financial Stability Facility Société Anonyme

Financial Statements, Management Report and Auditor's Report 31 December 2014

6a, Circuit de la Foire Internationale
L-1347 Luxembourg
R.C.S. Luxembourg: B 153 414

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Auditor's report

To the Shareholders of
European Financial Stability Facility S.A.

Report on the financial statements

We have audited the accompanying financial statements of European Financial Stability Facility S.A., which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of European Financial Stability Facility S.A. as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 20 May 2015

Pierre Krier

Management Report

Business review and results

The Company

The European Financial Stability Facility (EFSF) was created by the euro area Member States on 9 May 2010 as a temporary rescue mechanism with a tenure of three years. Incorporated on 7 June 2010 as a société anonyme based in Luxembourg, the EFSF's mandate is to safeguard financial stability in Europe by providing financial assistance to euro area Member States.

The Treaty establishing the permanent crisis resolution mechanism - the European Stability Mechanism (ESM) - was originally signed by the finance ministers of the then 17 euro area countries on 11 July 2011. A modified version of the Treaty, incorporating amendments aimed at improving the effectiveness of the mechanism, was signed in Brussels on 2 February 2012. The ESM Treaty entered into force on 27 September 2012 and the ESM was inaugurated on 8 October 2012 following ratification by the then 17 euro area Member States.

The ESM is the main instrument to finance new financial assistance programmes. The EFSF will, only remain active in financial assistance programmes that have started before the ESM became operational. As of 1 July 2013, the EFSF may no longer engage in new financing programmes or enter into new loan facility agreements but continues the management of existing programmes and the repayment of any outstanding debt. The EFSF shall be dissolved and liquidated when its purpose is fulfilled, in other words when the EFSF has received full payment of the financing granted to the Member States and has repaid its liabilities under the financial instruments issued and financing arrangements entered into.

The EFSF is authorised to:

- provide loans to countries in financial difficulties;
- intervene in the primary and secondary debt markets. Intervention in the secondary market will only take place if a European Central Bank (ECB) analysis recognises the existence of exceptional financial market circumstances and risks to financial stability for the euro area as a whole;
- act on the basis of a precautionary programme;
- finance recapitalisations and resolutions of financial institutions through loans to governments.

Any intervention by the EFSF is linked to appropriate economic reforms. To fulfill its mission, EFSF issues bonds or other debt instruments in the capital markets.

Funding strategy

The EFSF initially used a simple back-to-back funding strategy. In November 2011, however, it adopted a diversified funding strategy using a liquidity buffer as a key component. As part of this strategy, the EFSF introduced a short-term bill programme and since the end of 2011 until January 2013 has held regular auctions of 3-month and 6-month bills.

One consequence of the diversified funding strategy is that funds raised are no longer attributed to a particular country. The funds are pooled and then disbursed to programme countries upon request.

During 2014, the strategy was to focus on standard benchmark issues. The EFSF responded to investors' demand with flexibility, conducting special transactions such as the € 4 billion 30-year bond. The year was characterised by decreasing yields and tightening spreads.

As of 31 December 2014, the EFSF as an issuer has been assigned an AA rating by Standard & Poor's, an Aa1 rating by Moody's and an AA by Fitch Ratings and the highest possible short-term rating from all three major credit rating agencies – Standard and Poor's (A-1+); Moody's (P-1) and Fitch Ratings (F1+).

Lending operations

The EFSF can act after a support request is made by a euro area Member State and a country programme linked to strict policy conditions that has been negotiated with the European Commission in liaison with the ECB, and where possible, the International Monetary Fund (IMF) and after such a programme has been accepted by the euro area finance ministers and a Memorandum of Understanding (MoU) has been signed.

In 2014, the EFSF supported financial assistance programmes for Portugal and Greece. The programme for Ireland ended in December 2013, the programme for Portugal ended in May 2014 and the programme for Greece was extended until February 2015. On 27 February 2015 the EFSF Board of Directors decided to provide a further four-month technical extension until 30 June 2015.

Significant events of 2014

Funding activity

During 2014, under the diversified funding strategy, the EFSF continued to build its yield curve by issuing long-term bonds with different maturities. All issues during the year have been successfully placed raising a total of € 34.5 billion in 2014.

As at 31 December 2014 the nominal outstanding amount of debt securities issued is € 194.5 billion. The balance includes bonds issued under the back-to-back funding strategy amounting to € 19 billion, and, under the diversified funding strategy, short term funding of € 4 billion and long term funding of € 123.3 billion.

Additionally the EFSF has executed several cashless transactions, under the Greek liability management exercise (Private Sector Involvement) and the bank recapitalisation operations as part of the loan facility, providing its own notes to Greece. The outstanding amount of these debt securities is € 48.2 billion.

Financial assistance for Ireland

In January 2011, the EFSF commenced financial assistance activities by carrying out the first issue for the programme for Ireland. The EFSF contributed € 17.7 billion to a joint external financing package of € 67.5 billion.

In 2011 and 2012, the EFSF disbursed € 12.1 billion. In 2013, an additional € 5.6 billion was disbursed.

On 16 March 2013 and subsequently on 12 April 2013 the Eurogroup, the main forum for the management of the single currency area, announced that it would take steps to support Ireland's efforts to regain full market access and successfully exit their well-performing programme. The Eurogroup, which brings together the finance ministers of the euro area countries, said that, subject to national procedures, it would lengthen the maturities of the European Financial Stability Mechanism (EFSM) and EFSF loans to Ireland, smoothing the country's debt redemption profile and lowering their refinancing needs in the post-programme period. It did so by increasing the weighted average maturity limit to seven years provided the Troika confirmed Ireland's continued successful programme implementation.

On 24 June 2013 the Board of Directors of the EFSF approved these extensions. The Amendment Agreement relating to the loan facility agreement was signed on 26 June 2013.

On 8 December 2013, Ireland officially exited the EFSF financial assistance programme, the first the EFSF carried out. The EFSF loans supported Ireland in the implementation of an economic adjustment programme whose main goals were: restoring fiscal sustainability; carrying out structural reforms focusing on competitiveness and job creation; and a downsizing, restructuring and recapitalising the banking sector. These reforms have allowed Ireland to return to a path of sustainable economic growth, and to end reliance on external assistance and resume long-term funding in financial markets.

The euro area Member States exiting financial assistance fall under post-programme monitoring. The countries will remain subject to monitoring until they have paid back a minimum of 75% of the assistance received.

The EFSF will continue to work closely with the Irish authorities in the framework of the EFSF's Early Warning System (EWS). This is a procedure foreseen in the ESM Treaty aimed at ensuring timely loan repayments by beneficiary Member States. The procedure has also been adopted by the EFSF.

Financial assistance for Portugal

On 17 May 2011, an agreement concerning a financial assistance programme for Portugal was signed. The EFSF contributed a total of € 26 billion to a joint external financing package of € 78 billion. The EFSF placed its first issue for this programme in June 2011.

In 2011 and 2012, the EFSF disbursed € 18.2 billion. In 2013, it disbursed an additional € 6.6 billion.

On 16 March 2013 and subsequently on 12 April 2013 the Eurogroup announced that to support Portugal's efforts to regain full market access and successfully exit their well-performing programmes, subject to national procedures, the maturities of the EFSM and EFSF loans to Portugal would be lengthened. The Eurogroup decided to increase the weighted average maturity limit up to seven years, provided the Troika confirmed that Portugal continued to implement it's programme successfully. The extension would smooth Portugal's debt redemption profile and lower its refinancing needs in the post-programme period.

On 24 June 2013, the Board of Directors of the EFSF approved the extensions. The Amendment Agreement relating to the loan facility agreement was signed on 25 June 2013.

According to the terms of the relevant financial assistance agreement Portugal must repay the loans by 2040.

On 18 May 2014, Portugal officially exited the EFSF financial assistance programme. The loans provided by the EFSF have supported Portugal in the implementation of an economic adjustment programme. The reforms implemented in Portugal have laid the foundation for an economic recovery, which in turn have enabled Portugal to end reliance on external financial assistance and resume long-term funding in financial markets.

The euro area Member States exiting financial assistance fall under post-programme monitoring. The countries will remain subject to monitoring until they have paid back a minimum of 75% of the assistance received.

The EFSF will continue to work closely with the Portuguese authorities in the framework of the EFSF's Early Warning System (EWS). This is a procedure foreseen in the ESM Treaty aimed at ensuring timely loan repayments by beneficiary Member States. The procedure has also been adopted by the EFSF.

Financial assistance for Greece

On 21 February 2012, the Eurogroup agreed the details of the second financial assistance programme for Greece. The total amount for the overall programme was set at € 164.4 billion of which € 144.6 billion is being contributed by the EFSF. Out of the € 144.6 billion, € 35.5 billion is allocated to the Private Sector Involvement (PSI) in the context of the Greek debt restructuring, and the remaining amount of € 109.1 billion to the rest of the financial assistance programme.

In March 2012, the EFSF contributed to the PSI of Greece in several ways. The EFSF provided € 35.0 billion in 1-year notes used as collateral for the Eurosystem, which notes were returned to the EFSF on 25 July 2012 and were subsequently cancelled on 3 August 2012. Additionally € 29.7 billion in 1 and 2-year EFSF notes were provided to bondholders as part of the debt exchange under the PSI and € 4.9 billion in 6-month bills for Greek bonds to cover interest due under outstanding Greek bonds.

Subsequent to the Eurogroup decisions of cancellation of the EFSF guarantee commitment fee, maturity extension of EFSF loans, deferral of EFSF interest rate payments on EFSF loans by 10 years, on 12 December 2012 the Amendment Agreement relating to the Master Financial Assistance Facility Agreement was signed.

In May 2013, two floating rate notes for an amount of € 7.2 billion were provided to the Hellenic Financial Stability Facility (which is Greece's national bank recapitalisation fund) in order to recapitalise the Greek financial sector.

In addition during 2013, € 18.1 billion in cash disbursements were made to Greece for budgetary needs.

As part of the second economic adjustment programme, the EFSF has so far disbursed €141.8 billion in financial assistance to Greece. Greece must repay the loans by 2054 according to the terms of the relevant financial assistance.

On 19 December 2014 the EFSF Board of Directors decided to grant Greece a two-month technical extension of its second economic adjustment programme, financed by the EFSF. Instead of ending on 31 December 2014, the EFSF programme was extended until 28 February 2015.

In parallel, following a request from Greece, the EFSF extended the availability period of €10.9 billion of EFSF bonds until 28 February 2015. As part of Greece's second economic adjustment programme, these EFSF bonds were transferred to the Hellenic Financial Stability Fund (HFSF) which can use them to recapitalise and resolve banks. Following the Eurogroup statement on Greece of 20 February 2015, and the subsequent EFSF Board of Directors decision, Greece redelivered the €10.9 billion of EFSF bonds under the loan facility to the EFSF, and this amount remains available for re-borrowing (under certain conditions) under the loan facility for bank recapitalisation or resolution operations until 30 June 2015. As a consequence of the redelivery of the €10.9 billion of EFSF bonds, the Greek loan facility has been reduced by that same amount.

Following the elections in Greece on 25 January 2015, a new government was inaugurated on 26 January 2015. After intense negotiations between the newly-elected government and euro area Member States, assisted by the European Commission, the ECB, and the IMF, the Greek government requested on 18 February 2015 an extension of the Master Financial Assistance Facility Agreement for Greece. On 27 February 2015 the EFSF Board of Directors decided to extend the progamme a second time until 30 June 2015. This decision means that the remaining €1.8 billion from the programme can be disbursed to Greece until the end of June, conditional on the successful conclusion of the final review under the current arrangement. The extension allows the Greek authorities to design and implement reforms that should lead to a successful conclusion of the review and the design of the follow-up arrangements.

While, after several years of recession, Greece's economy returned to growth in 2014, uncertainty on the future direction of policies has affected confidence since the beginning of 2015. The situation of Greece and its public finances has been closely reviewed by European authorities during the first months of 2015. The EFSF has been part of these discussions and is monitoring the developments very closely through its governance structure. Greece has, to date, met all its scheduled payment obligations to the EFSF.

European Stability Mechanism

In the first quarter of 2013 the transfer of all employees of the EFSF to ESM was completed. To fulfil its ongoing activity, the EFSF asked ESM to provide certain administrative services and other support services. To formalise such cooperation, the ESM and EFSF entered into a Service Level Agreement beginning 1 January 2013.

Financial overview

The EFSF's net income is improving driven mainly by increased lending volume and a rise in up-front service fees recognised during the financial year.

The results of the EFSF as at 31 December 2014 are summarised in the table below.

Summary of the statement of comprehensive income (in € '000)

	Year 2014	**Year 2013**
Income	3,158,449	2,518,013
Expenses	(3,037,472)	(2,413,586)
Net income	**120,977**	**104,427**
Net results on available-for-sale financial assets (unrealised)	79,080	(101,907)
Total comprehensive income for the financial year	**200,057**	**2,520**

In 2014, the total balance sheet increased compared to year-end 2013 due to EFSF's increased lending activity in 2014 which mainly related to the new disbursements made under the second Greek programme.

The balance sheet is summarised as follows:

Summary of the balance sheet (in € '000)

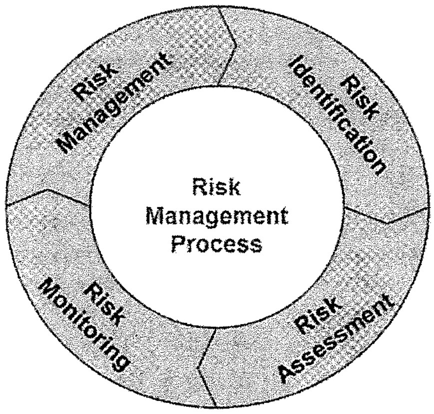
	31.12.2014	**31.12.2013**
TOTAL ASSETS	**198,356,929**	**187,242,346**
Of which :		
Cash and cash equivalents	3,038,096	239,166
Loans and advances to credit institutions	932,859	3,485,462
Loans to euro area Member States	190,392,823	179,279,794
Available-for-sale financial assets	3,978,145	4,222,946
ESM related charges	14,806	14,806
TOTAL EQUITY AND LIABILITIES	**198,356,929**	**187,242,346**
Total liabilities	*197,709,022*	*186,794,496*
Of which :		
Debt securities in issue	195,717,836	184,908,013
Liability against euro area Member States	1,951,776	1,867,869
Total shareholders' equity	*647,907*	*447,850*

Outlook for 2015

For 2015, the EFSF's long-term funding target is € 13.5 billion. The EFSF will continue to finance the remaining programmes for Greece after the December 2014 extension and the rollover of the existing debt until all the loans have been repaid by the beneficiary Member States.

Risk management

The EFSF has implemented a systematic process for the management of the various types of risk to which the organisation is exposed in executing its mandate. The management of risk at the EFSF is a four step process that applies equally to the management of both financial (Credit, Market and Liquidity Risk) and non-financial risks:



Risk identification is the process for ensuring the identification of all material risk exposures, both financial and non-financial, faced by the EFSF, together with relevant internal or external indicators that support proactive, forward-looking assessment of actual or potential changes in risk exposure.

Risk assessment is the process for assessing all identified risk exposures to determine their materiality. For financial risks, materiality is typically assessed on the basis of expert judgement and in consultation with relevant internal stakeholders. For non-financial risks this is done by assessing probability of occurrence and the consequences / impact to the organisation in the event of occurrence.

Risk monitoring is the set of processes, procedures, responsibilities and tools needed for on-going monitoring and reporting of material risk exposures and for triggering the active management of an unacceptable risk exposure. This requires robust, auditable control processes, limit frameworks, breach escalation mechanisms, dashboards, reports and other tools to ensure appropriate risk monitoring.

Certain financial risk exposures are monitored by setting appropriate limits on exposure. Credit Risk limits are set against individual obligors, such as issuers in the case of the EFSF's available-for-sale financial assets. Market risk limits are set against certain aggregated exposures such as exposure to movements in interest rates. Liquidity risk limits are set against certain funding outcomes and market indicators of liquidity.

Risk management is the process of determining and executing appropriate actions, typically by the Front Office, or the implementation of specific policies to actively manage risk exposures. For financial risks, these management actions might include elimination, mitigation, transfer, reduction or acceptance of the risk.

The EFSF was established to support the stability of the euro area and euro area Member States. Effectively fulfilling this mandate requires ensuring the highest creditworthiness in order to minimise the cost of borrowing to support lending operations and ensure market access. In order to attain the highest credit rating, overall risk tolerance is very conservative so as to minimise the risk of capital loss on investments, maintain access to the funding market and manage credit risk.

As with all financial institutions, the EFSF remains subject to a number of financial and non-financial risks. The types of risk to which the EFSF is exposed are a function of the nature of its mandate and operational activities. Appropriate procedures and processes are implemented to identify, assess and measure, monitor and manage these risks.

Credit risk

Credit risk is the potential for loss arising from the inability of a counterparty, issuer, insurer or other obligor, to fulfil its contractual obligations. Credit risk mainly arises from loans granted to the borrower euro area Member States. Ultimately, the decision to lend to a Member State is taken by the Shareholders who guarantee EFSF issuances. Monthly reports are supplied to Shareholders detailing their guarantee consumption in respect of each bond and bill issued by the EFSF.

Credit risk also arises from investments in available-for-sale financial assets related to the support programmes which are mitigated through strict investment guidelines focusing on issuers with the highest credit ratings and through limits to mitigate the maximum exposure per counterparty or issuer.

Market risk

Market risk is the risk of losses arising from changes in the values of financial assets and liabilities due to fluctuations in market factors such as interest rates, foreign exchange, prices of securities etc. Market risk can be structural (in relation to assets and liabilities and credit enhancement) or non-structural (in relation to investments). The EFSF has both types of market risk: structural for the lending and funding activity, and non-structural in relation to the available-for-sale portfolio.

To mitigate market risk, the EFSF aims to match its funding instruments with its loan profiles as far as possible so as to avoid having open positions that are subject to structural market risk. At present, the EFSF's loans are longer in maturity than its funding, hence there is a maturity mismatch which gives rise to refinancing risk, where a higher borrowing cost could apply at future dates. This is managed by careful asset-liability cash flow monitoring and funding plans that address any significant mismatches over an appropriate period.

The available-for-sale financial assets are in practice generally invested to maturity, so that although market risk is assumed on the portfolio from one accounting period to the next, as reflected in the notes to the accounts, the impact on the EFSF over the life of the investments is limited.

Liquidity risk

Liquidity risk is the risk of loss arising from the difficulty in securing the necessary funding, due to a deterioration of the EFSF's creditworthiness or needing to borrow at a time of unfavourable market conditions (e.g. periods of high stress). Liquidity risk is addressed by holding adequate available funds to cover short-term liquidity needs.

The Liquidity risk is mitigated through:

- Available funds, with ability to call from Shareholders further funds if there is a shortfall;
- Loan specific cash buffer;
- Committed liquidity lines with financial institutions of a high rating;
- Other liquid assets available;
- Regular active monitoring of the cash position.

Operational risk

Operational risk is defined as the potential loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks are categorised in line with the guidance by the Basel Committee on Banking Supervision, as follows:

- execution, delivery and process management;
- counterparts, products and business practices;
- fraud;
- business continuity and systems failures;
- employment practices and workplace safety;
- damage to physical assets.

All departments are responsible for proactive mitigation of operational risks and for the robustness of the controls in their processes. If specific operational risk events are identified, these are reported to an internal operational risk register. All departments, with support from the Operational Risk function, perform a root-cause analysis and implement improvements in the underlying processes and controls to reduce the probability of re-occurrence.

Research and development

The Company has no research and development activity.

Share capital

The Company's approved and issued share capital totals € 28,513,396.92 consisting of 2,851,339,692 shares with a face value of € 0.01 each.

Shareholders

The shareholders of the Company are the euro area Member States as of 31 December 2014. The following table shows the number of shares and subscription amounts for each shareholder.

Member State	Number of shares	Capital as of 31 December 2014 (in €)
Kingdom of Belgium	98,844,650	988,446.50
Federal Republic of Germany	771,706,294	7,717,062.94
Republic of Estonia	7,294,357	72,943.57
Ireland*	45,261,689	452,616.89
Hellenic Republic*	80,070,849	800,708.49
Kingdom of Spain	338,392,963	3,383,929.63
French Republic	579,522,400	5,795,224.00
Italian Republic	509,243,918	5,092,439.18
Republic of Cyprus*	5,578,757	55,787.57
Grand Duchy of Luxembourg	7,119,129	71,191.29
Republic of Malta	2,575,437	25,754.37
Kingdom of the Netherlands	162,521,534	1,625,215.34
Republic of Austria	79,125,435	791,254.35
Portuguese Republic*	71,329,846	713,298.46
Republic of Slovenia	13,398,796	133,987.96
Slovak Republic	28,256,464	282,564.64
Republic of Finland	51,097,174	510,971.74
Total	**2,851,339,692**	**28,513,396.92**

* As at the effective date of the amendments, Ireland, the Portuguese Republic and the Hellenic Republic have become Stepping-Out Guarantors. The Republic of Cyprus has become a Stepping-Out Guarantor as of 29 April 2013.

Corporate governance

The Board of Directors

The Board of Directors comprises a member for each of the Company's Shareholders. Each EFSF Shareholder proposes for nomination to the EFSF Board of Directors its representative in the Eurogroup Working Group (or such person's alternate as representative in the Eurogroup Working Group). The Commission and ECB are entitled to appoint an observer who may take part in the meetings of the Board of Directors and may present their observations, without however having the power to vote.

The Directors are appointed by the general meeting of shareholders for a period not exceeding six years and are eligible for reappointment. They may be removed at any time by a resolution of the general meeting of shareholders.

The Board of Directors is vested with the broadest powers to perform all acts of administration and disposition in the Company's interests. The Board of Directors is authorised to transfer, assign and dispose of the assets of the Company in such manner as the Board of Directors deems appropriate.

The Board of Directors may delegate its powers to conduct the daily management and affairs of the Company and the representation of the Company for such daily management and affairs to any member or members of the Board of Directors, managers, officers or other agents who need not be shareholders of the Company, under such terms and with such powers as the Board of Directors may determine.

The Shareholders

The general meeting of shareholders represents the entire body of shareholders of the Company. It has the broadest powers to order, carry out or ratify acts relating to the operations of the Company.

Each share is entitled to one vote. A shareholder may act at any general meeting, directly or by appointing a proxy.

Audit Committee

The Audit Committee is a sub-committee of the Board of Directors of the Company established by the Board of Directors on 17 December 2013, pursuant to Article 74 of the Luxembourg Law of 18 December 2009 concerning the audit profession. The Audit Committee assists the Board of Directors in the discharge of its responsibilities in the areas of financial reporting, internal control and risk management.

The Audit Committee consists of five members, who are appointed by the Board of Directors from among the Directors.

The Audit Committee held its inaugural meeting on 27 February 2014 and meets whenever the affairs of the Company so require, at the time and place specified in the notice of the meeting.

Audit and Control

The Charter for Audit and Control was signed on 26 November 2010 between the EFSF Management and EFSF Internal Audit and was presented to the Board of Directors in their meeting on 3 December 2010.

The scope of work of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management process, system of internal controls, and the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives.

Rules Governing Amendments to the Articles of Association

Amendments to the Articles of Association are approved by resolution at an Extraordinary General Meeting of Shareholders subject to the Articles of Association and Luxembourg law.

Branches of the Company

The Company has no branch.

Main subsequent events

Please refer to Note 26 of the financial statements.

Future prospects

The EFSF was created as a temporary institution. In accordance with its Articles of Association, the EFSF will be dissolved and liquidated when its purpose is fulfilled, in other words, when the EFSF has received full payment of the financing granted to the Member States and has repaid its liabilities under the financial instruments issued and financing arrangements entered into. No new financing programme and no new loan facility agreements may be established or entered into by the EFSF after 30 June 2013.

Currently the longest outstanding loan of the EFSF matures in 2054.

For and on behalf of the Board of Directors.

Klaus Regling

Chief Executive Officer

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014
(in € '000)

	Notes	31.12.2014	31.12.2013
ASSETS			
Cash and cash equivalents	7	3,038,096	239,166
Loans and advances to credit institutions	8	932,859	3,485,462
Loans to euro area Member States	9	190,392,823	179,279,794
Available-for-sale financial assets	10	3,978,145	4,222,946
Property, plant and equipment	11	4	8
Prepayments and deferred charges	12	196	164
ESM related expenses	13	14,806	14,806
Total assets		**198,356,929**	**187,242,346**
LIABILITIES			
Debt securities in issue	14	195,717,836	184,908,013
Liability against euro area Member States	15	1,951,776	1,867,869
Trade and other payables	16	39,410	18,614
Total liabilities		**197,709,022**	**186,794,496**
SHAREHOLDERS' EQUITY			
Ordinary shares	17	28,513	28,513
Legal reserve	18	2,894	2,894
Fair value reserve	10, 18	336,110	257,030
Retained earnings		159,413	54,986
Net income for the year		120,977	104,427
Total shareholders' equity		**647,907**	**447,850**
Total equity and liabilities		**198,356,929**	**187,242,346**

The accompanying Notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ending 31 December 2014
(in € '000)

	Notes	2014	2013
Interest and similar income	19	3,158,420	2,517,843
Interest and similar expenses	19	(2,975,915)	(2,369,750)
Result on financial operations recycled from the available-for-sale portfolio		29	170
Other expenses	20	(37,852)	(22,493)
Net financial income		**144,682**	**125,770**
Administrative expenditures	21	(23,701)	(21,118)
Employee salaries and benefits expenses	22	-	(220)
Depreciation and amortisation	11	(4)	(5)
Total operating expenses		**(23,705)**	**(21,343)**
Net income for the year		**120,977**	**104,427**
Other comprehensive income			
Items that may be subsequently reclassified in statement of comprehensive income			
Available-for-sale financial assets	10	79,080	(101,907)
Total comprehensive income for the year		**200,057**	**2,520**

The accompanying Notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the financial year ending 31 December 2014
(in € '000)

	Ordinary shares	Legal reserve	Fair value reserve	Retained earnings	Result of the year	Total
At 1 January 2013	**28,513**	**-**	**358,937**	**(9,009)**	**66,889**	**445,330**
Comprehensive income						
Allocation of the result of 2012:						
- to the legal reserve	-	2,894	-	-	(2,894)	-
- to the retained earnings	-	-	-	63,995	(63,995)	-
Profit for the year 2013	-	-	-	-	104,427	**104,427**
Fair value reserve	-	-	(101,907)	-	-	**(101,907)**
At 31 December 2013	**28,513**	**2,894**	**257,030**	**54,986**	**104,427**	**447,850**

	Ordinary shares	Legal reserve	Fair value reserve	Retained earnings	Result of the year	Total
At 1 January 2014	**28,513**	**2,894**	**257,030**	**54,986**	**104,427**	**447,850**
Comprehensive income						
Allocation of the result of 2013:						
- to the retained earnings	-	-	-	104,427	(104,427)	-
Profit for the year 2014	-	-	-	-	120,977	**120,977**
Fair value reserve	-	-	79,080	-	-	**79,080**
At 31 December 2014	**28,513**	**2,894**	**336,110**	**159,413**	**120,977**	**647,907**

European Financial Stability Facility

STATEMENT OF CASH FLOWS

For the financial year ending 31 December 2014
(in € '000)

	2014	2013
Operating activities:		
Net income for the year	120,977	104,427
Interest receivable on loans and advances to credit institutions	(5,231)	(409)
Interest receivable on loans to euro area Member States	(844,251)	(1,531,076)
Interest receivable on available-for-sale portfolio	(53,017)	(57,004)
Interest payable on debt securities in issue	2,945,962	2,354,990
Amortisation	4	5
Prepayments	(32)	292
ESM related expenses	3	1,211
Trade and other payables	20,796	9,399
Net cash provided by operating activities	**2,185,211**	**881,835**
Investing activities		
Loans and advances to credit institutions	2,552,303	(3,485,154)
Interest received on loans and advances to credit institutions	5,531	101
Loans to euro area Member States	(10,868,020)	(38,219,474)
Interest received on loans to euro area Member States	633,400	1,152,217
Net investment in available-for-sale financial assets	304,963	(503,761)
Interest received on available-for-sale portfolio	121,681	121,972
Net cash used in investing activities	**(7,250,142)**	**(40,934,099)**
Financing activities		
Issuance of debt instruments	10,555,100	26,616,299
Interest paid on debt securities in issue	(2,691,239)	(1,945,485)
Net cash provided by financing activities	**7,863,861**	**24,670,814**
Net change in cash and cash equivalents	2,798,930	(15,381,450)
Cash and cash equivalents at the beginning of the year	239,166	15,620,616
Cash and cash equivalents at the end of the year	**3,038,096**	**239,166**

The comparative figures for 2013 were modified to achieve a better presentation of the cash flows of the Company.

The accompanying Notes form an integral part of these financial statements

Notes to the financial statements

1. General information

The European Financial Stability Facility (the EFSF or the Company) was incorporated on 7 June 2010 and is organised under the laws of Luxembourg as a société anonyme. It has its registered office at 6a, Circuit de la Foire Internationale, L-1347 Luxembourg.

The EFSF was created by the euro area Member States following the decisions taken on 9 May 2010 within the framework of the Ecofin Council and is owned by euro area Member States.

The EFSF was initially designed to issue notes guaranteed by euro area Member States for up to around € 440 billion to lend on to euro area Member States in financial difficulty. The assistance was subject to conditions negotiated with the European Commission in liaison with the European Central Bank and, where appropriate the International Monetary Fund, which the Eurogroup needed to approve.

On 24 June 2011, the Heads of State or Government agreed to increase the EFSF's scope of activity and raised its guarantee commitments to € 780 billion from € 440 billion. This included an over-guarantee of up to 165% which corresponded to a lending capacity of € 440 billion in order to ensure the highest possible credit rating. On 21 July 2011, the Heads of State or Government agreed to further increase the EFSF's scope of activity to:

- issue bonds or other debt instruments on the market to raise the funds needed to provide loans to countries in financial difficulties;
- intervene in the primary debt markets;
- intervene in the secondary debt markets;
- act on the basis of a precautionary programme;
- finance recapitalisations and resolutions of financial institutions through loans to governments.

These amendments to the EFSF Framework came into force on 18 October 2011, following the conclusion of all necessary national procedures.

On 26 October 2011, the Heads of State or Government of euro area Member States agreed to maximise the EFSF's capacity without increasing the euro area Member States' guarantee commitments by adopting two approaches, partial risk protection and the co-investment. The two options were designed to support the continued market access of euro area Member States under financial distress and safeguard the financial stability of the euro area. As at balance sheet date the options have not yet been used.

As of 1 July 2013, the Company may no longer engage in new financial assistance facilities, but it continues to manage existing programmes and the repayment of any outstanding debt. The Company shall be dissolved and liquidated when its purpose is fulfilled, in other words when the Company has received full payment of the financing granted to beneficiary Member States and has repaid its liabilities under the financial instruments issued and financing arrangements entered into.

At the beginning of 2013, the staff of the EFSF were transferred to the ESM. To carry out its ongoing activity, the EFSF asked the ESM to provide it with certain administrative and other support services. To formalise such cooperation, the ESM and the EFSF entered into a Service Level Agreement beginning on 1 January 2013.

The present financial statements cover the period from 1 January 2014 to 31 December 2014.

The accompanying financial statements have been authorised for issue by the Board of Directors on 20 May 2015. Based on the criteria defined by Luxembourg law, the Company is exempt from the obligation to draw up consolidated accounts and a consolidated management report for the financial year ended 31 December 2014.

1.1. General overview of financial assistance programmes

1.1.1. Financial assistance under the framework agreement ("EFSF 1")

Under the framework of EFSF 1, the Company participated in two financial assistance programmes for Ireland and Portugal, which started in 2011.

Initially, under these programmes, all issued debt was backed by an over-guarantee of 120% from the Guarantee countries (Guarantors) of the euro area Member States and by cash retentions from the proceeds of the issued bonds. The cash retentions were calculated in a way that the guarantees from AAA rated countries and the cash retained should be sufficient to cover all of the associated debt service if the underlying loan was not paid in full (see below). These credit enhancements were designed to support the AAA rating of the EFSF as an issuer.

The interest rate which the EFSF applied to each loan covered the cost of funding it incurred and included a Margin which was intended to provide remuneration for the Guarantors. The Margin was deducted from the loan disbursement amount as Prepaid Margin, plus the service fee which was used to cover the EFSF's operational costs and any costs and fees directly related to the issuance of funding instruments which had not otherwise been charged to the relevant borrowing country.

For to each loan, a Loan Specific Cash Buffer was put aside to ensure that the principal amount of debt securities issued to fund that loan (together with the interest which will accrue on such debt securities to scheduled maturity) was, at their date of issuance fully covered by the sum of:

- the aggregate amount of guarantees of Guarantors with the highest quality rating (taking into account the 120% guarantee coverage);
- the cash reserve retained in relation to such loans (financed out of the Prepaid Margin and the service fee);
- the Negative Carry payment retained in respect of such loans;
- the applicable Loan Specific Cash Buffer; and
- any other credit enhancement (if any) in the form of cash or credit enhancement with the highest quality rating that is adopted pursuant to a Framework Agreement.

The Cash Reserve includes these retained amounts, together with all income and investments earned by investing these amounts. The Cash Reserve is invested in accordance with investment guidelines approved by the EFSF's Board of Directors.

On 21 July 2011, the Heads of State or Government decided that the Margin, initially reserved to remunerate the Guarantors, will no longer be applicable to new loans granted to Greece, Ireland and Portugal under EFSF 2.1. This has given rise to further decision in relation to the reimbursement of the Prepaid Margin already charged to Ireland and Portugal under EFSF 1. According to the new mechanism, the Margin may be reimbursed to the borrowing countries at the maturity of the bonds as a rebate. Such a rebate will be made in accordance with the proportion share due after 21 July 2011. The proportional share of the margin before 21 July 2011 will be due to the Member State Guarantors.

1.1.2. Financial assistance under the amended framework agreement ("EFSF 2.1")

The Board of Directors approved the new EFSF framework agreement on 27 October 2011. All new issues after this date no longer operate with the cash reserve and only the irrevocable and unconditional guarantee granted by euro area Member States on the issued bonds remains in place.

All issues under the revised debt issuance programme are over-guaranteed by 165% from the Guarantee countries of the euro area Member States. As a consequence, there was no need for new issues after this date to benefit from the cash reserve as the irrevocable and unconditional guarantees granted by euro area Member States on the issued bonds are large enough to cover the entire amounts due.

The interest rate which the EFSF applies to each loan under EFSF 2.1 covers the cost of funding incurred plus the service fee for the EFSF's operational costs. The service fee has two components: an up-front service fee (50 basis points) and annual service fee (0.5 basis points). To provide the same cover for investors, the amount of over-guarantee was increased to 165% from 120%. Under this amended framework agreement, EFSF is entitled to charge 10 basis points of guarantee commission fee for the loans granted to euro area Member States where such guarantee commission fee provides remuneration for the guarantor Members States.

All loans granted in the course of 2012 and 2013 under financial assistance programmes were concluded under the amended framework agreements.

In November 2012, the Eurogroup decided to change the lending terms of the support programme for Greece. They extended the maturities of the EFSF loans to Greece by 15 years and deferred Greece's interest payments on EFSF loans by 10 years. In addition, the guarantee commission fee was cancelled.

To manage this loan maturity extension, the EFSF was required to allow repayments after 2048. To finance these extended loans, the EFSF amended in 2013 the relevant Trust Deeds to allow for the issuance of funding instruments after 2048. It introduced a similar amendment to the relevant Deeds of Guarantee, whereby the end year for the Deeds of Guarantee was extended to 2070.

To support Ireland's and Portugal's efforts to regain full market access and successfully exit their programmes, the EFSF decided (in line with a Eurogroup decision) to lengthen the maturities of their EFSF loans by increasing the average weighted maturity limit to seven years. The extension smooths the debt redemption profile of both countries and lowers their refinancing needs in the post-programme period. The European Financial Stabilisation Mechanism (EFSM), which committed € 22.5 billion for Ireland and € 26 billion for Portugal, also extended their maturities to seven years.

On 8 December 2013, Ireland officially exited the EFSF financial assistance programme with the expiry of the availability period under its Master FFA. The EFSF contributed a total of € 17.7 billion to a joint external financing package of € 67.5 billion which also included loans from the EFSM, the IMF and bilateral lenders (the UK, Sweden and Denmark). The EFSF made a total of 10 loan disbursements between February 2011 and December 2013. The loans provided by the EFSF have supported Ireland in the implementation of an economic adjustment programme, whose main goals were: restoring fiscal sustainability; structural reforms focusing on competitiveness and job creation; and a downsizing, restructuring and recapitalisation of the banking sector.

European Financial Stability Facility

On 18 May 2014, Portugal exited the EFSF financial assistance programme. The EFSF contributed a total of € 26 billion to a joint external financing package of €78 billion which also included loans from the European Financial Stabilisation Mechanism (EFSM) and the IMF. The EFSF disbursed the funds in 12 tranches between June 2011 and April 2014. The loans provided by the EFSF have supported Portugal in the implementation of an economic adjustment programme, whose main goals were: fiscal consolidation; structural reforms to boost potential growth, create jobs and improve competitiveness; and stabilisation of the financial sector through strengthening banks' liquidity and capital.

Initially, the weighted average maturity of EFSF loan tranches was up to 15 years. In April 2013 the Eurogroup decided to extend the weighted average maturity for EFSF loans to Portugal and Ireland by 7 years. The final weighted average maturity of EFSF loans to Portugal and Ireland is 20.8 years.

On 19 December 2014 the EFSF Board of Directors decided to grant Greece a two-month technical extension of its second economic adjustment programme financed by the EFSF. Instead of ending on 31 December 2014, the EFSF programme was extended until 28 February 2015. However, on 27 February 2015 the EFSF Board of Directors decided to provide a further four month technical extension until 30 June 2015. As a result of this decision, the remaining €1.8 billion from the programme can still be disbursed to Greece until the end of June. The disbursement of this last loan tranche is conditional on the successful conclusion of the current programme's last review. The extension allows the Greek authorities to design and implement reforms that should lead to a successful conclusion of the review and the design of the follow-up arrangements. As part of the programme, the EFSF has so far disbursed €141.8 billion of financial assistance to Greece.

In parallel, and following a request from Greece, the EFSF initially extended the availability period of €10.9 billion of EFSF bonds until 28 February 2015. As part of Greece's second Economic Adjustment Programme, these EFSF bonds were transferred to the Hellenic Financial Stability Fund (HFSF) which can use them to recapitalise and resolve banks. Following the Eurogroup statement on Greece of 20 February 2015, and the subsequent EFSF Board of Directors decision, Greece redelivered the €10.9 billion of EFSF bonds under the loan facility to the EFSF. This amount remains available for re-borrowing (under certain conditions) under the loan facility for bank recapitalisation or resolution operations until 30 June 2015. As a consequence of the redelivery of the €10.9 billion of EFSF bonds, the Greek loan facility has been reduced by that same amount.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1. Basis of presentation

The accompanying standalone financial statements are prepared and presented on the accrual basis of accounting and comply with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements are presented in euro ("€") which is also the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in Notes 2.2, 5 and 6.

2.2. Use of estimates

Management could make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

Critical accounting estimates are detailed in Note 6.

2.3. Foreign currency translation

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any, arising out of transactions settled during the year are recognised in the statement of comprehensive income as translation gains or losses.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the closing exchange rates on that date. The exchange differences, if any, are recognised in the statement of comprehensive income as translation gains or losses and related assets and liabilities are accordingly revalued in the statement of financial position.

2.4. Cash and cash equivalent

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less with insignificant risk of change in fair value. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.5. Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned category.

2.5.1. Financial assets

The Company allocates financial assets to the following IAS 39 categories: loans and receivables and available-for-sale financial assets. Management determines, in accordance with IAS 39, the classification of its financial instruments at initial recognition.

(a) Loans and receivables

Loans and receivables are composed of loans to euro area Member States and loans and advances to credit institutions.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Company intends to sell immediately or in the short term, which are classified as held for trading, and those that the Company upon initial recognition designates as at fair value through profit or loss;
- those that the Company upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans granted to euro area Member States in financial difficulties under any type of financial assistance programme are in the statement of financial position classified in loans to euro area Member States.

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to credit institutions. The counterparties enter into an irrevocable commitment to complete the operation on a date and a price fixed at the outset.

Securities purchased under agreement to resell are not recognised on the balance sheet and the consideration paid is recorded as loans and advances to credit institutions as appropriate. The difference between the sale and the repurchase price is treated as interest and recognised over the life of the agreement.

Interests on loans are included in the statement of comprehensive income and are reported as interest and similar income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of comprehensive income as loan impairment charges.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial assets are initially recognised at fair value including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. Unrealised gains or losses reported in other comprehensive income are being accumulated in the revaluation reserve until such investment is sold, collected or otherwise disposed of, or until such investment is determined to be impaired.

If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is recognised in the statement of comprehensive income. However, interest is calculated using the effective interest rate method together with foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the statement of comprehensive income.

(c) ESM related expenses

In the course of its activity, the EFSF paid the fees and invoices for the setup of the ESM in previous years. The EFSF did not recognise these fees and invoices as expenses in the statement of comprehensive income, but decided instead to request reimbursement. Hence, ESM related expenses are recognised as financial assets as at year end (refer to Note 13).

(d) Recognition

The Company uses trade date accounting for regular way contracts when recording financial asset transactions.

(e) Determination of fair value

When applicable, the Company measures the fair value of financial assets using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset take place with sufficient frequency and volume to provide pricing information on an on-going basis.

Where the fair values of financial assets recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques which incorporate factors that market participants would take into account in pricing a transaction. In such a case, a degree of judgement is required in establishing fair values.

The Company measures fair values using the fair value hierarchy as disclosed in Note 5.

(f) Impairment of financial assets

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

For the direct equity investments, the Company assesses at each balance sheet date whether there is objective evidence that an investment is impaired. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income) is removed from equity and recognised in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their value after impairment are recognised directly in equity.

For the loans and receivables category, evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into a financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

2.5.2. Financial liabilities

The Company holds its financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

(a) Debt securities in issue

Debt securities in issue are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

(b) Prepaid Margin

Prepaid Margin, deducted from the loan amount at disbursement date and held as cash reserve, will be paid out to the borrowing countries and/or to the Member State Guarantors at maturity if all payments on the issued bonds are met. The proportional share of the margin before 21 July 2011 will be due to the Member State Guarantors as a remuneration while proportional share of the margin after 21 July 2011 may be reimbursed to the borrowing countries as a rebate. In case of shortfall on the bond payments, the rebate amount will not be reimbursed to the borrowing country, but used for meeting the obligations arisen from the bond issue.

The Prepaid Margin amount paid out to the borrowing countries and the Member State Guarantors should include the initial amount plus the return on investments made from the Prepaid Margin.

The EFSF reports the nominal amount of the Prepaid Margin as liability against euro area Member States in the statement of financial position. The performance given by the underlying available-for-sale portfolio invested from the proceeds of the Margin is also added in the same caption.

(c) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

2.6. Prepayments and deferred charges

Prepayments are invoices received and paid in advance as the underlying expense is not or not exclusively related to the reporting period. Deferred charges are composed of invoices received during the year but partly relating to the subsequent year.

2.7. Property, plant and equipment

Property, plant and equipment are recorded in the statement of financial position at their acquisition cost, less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated life of each item purchased. Furniture, fittings and equipment are amortised within 3-8 years depending on the nature of each individual asset.

2.8. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.9. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.10. Legal reserve

In accordance with Luxembourg Company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

2.11. Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within interest income and interest expense in the statement of comprehensive income using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the initial effective interest rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.12. Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.13. Employee benefits

(a) Pension obligation

In the first quarter of 2013, the transfer of all employees of the EFSF to ESM was completed (refer to Note 22). Until completion, the Company operated a defined contribution plan for all staff under an EFSF employment contract, funded through payments to insurance companies.

A defined contribution plan is a pension plan under which the Company pays fixed contributions. The Company has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions were recognised as employee benefit expense when they were due.

In parallel of transferring all staff from the EFSF to the ESM, the Company's pension plan was transferred.

As at 31 December 2014, the EFSF did not employ any staff.

2.14. Taxation

The Company is domiciled in Luxembourg. As per the law dated 9 July 2010, there is no corporate income tax, net wealth tax, indirect tax or capital gains payable by the Company in Luxembourg.

3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations.

Standard adopted

The following standards, amendments to standards and interpretations were adopted in the preparation of these financial statements.

IFRS 10, Consolidated Financial Statements
IFRS 10 replaces the part of IAS 27 'Consolidated and Separate Financial Statements' that deals with consolidated financial statements and SIC 12 'Consolidation-Special Purpose Entities'. Under IFRS 10, there is a new definition of control, providing a single basis for consolidation for all entities. This basis is built on the concept of power over the investee, variability of returns from the involvement with the investee and their linkage, replacing thus focus on legal control or exposure to risks and rewards, depending on the nature of the Company.
The adoption of IFRS 10 had no impact on the consolidation of investments held by the Company. Therefore no restatements are necessary on application of IFRS 10.

IFRS 11, Joint Arrangements
IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities - Non – monetary Contributions by Ventures' and establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.
Under IFRS 11, there are only two types of joint arrangements, joint operations and joint ventures and their classification is based on the parties' rights and obligations arising from the arrangement, rather than its legal form. The adoption of this standard had no impact on the Company's financial statements.

IFRS 12, Disclosure of Interests in Other Entities
IFRS 12 specifies the disclosures required in annual financial statements to enable users of financial statements to evaluate the nature of and risks associated with the reporting Company's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.
The disclosure requirements of IFRS 12 do not require comparative information to be provided for periods prior to initial application. The adoption of this standard had no impact on the Company's financial statements.

IFRS 10, 11 and 12 Amendments - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
The amendments clarify the transition guidance in IFRS 10 and provide additional transition relief in IFRS 10, 11 and 12, requiring adjusted comparative information to be limited only to the preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, the requirement to present comparative information for periods before IFRS 12 is first applied, is removed.
The adoption of the amendment had no impact on the Company's financial statements.

IAS 32 Offsetting financial assets and financial liabilities
The amendments clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for periods beginning on or after 1 January 2014 with early adoption permitted. The adoption of the amendment had no impact on the Company's financial statements.

IAS 36, Amendment - Recoverable Amount Disclosures for Non-Financial Assets
The amendments restrict the requirement to disclose the recoverable amount of an asset or cash generating unit only to periods in which an impairment loss has been recognized or reversed.
They also include detailed disclosure requirements applicable when an asset or cash generating unit's recoverable amount has been determined on the basis of fair value less costs of disposal and an impairment loss has been recognized or reversed during the period.
The adoption of the amendment had no impact on the Company's financial statements.

Standards issued but not yet effective

The following relevant standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements.

IFRS 9 Financial instruments
The standard was issued on 24 July 2014 and replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 has not yet been adopted by the European Union.
The Company does not plan to adopt this standard early and has not yet determined the extent of the impact of this standard.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. IFRS 15 has not yet been adopted by the European Union.
The Company does not plan to adopt this standard early and has not yet determined the extent of the impact of this standard.

IFRIC 21 Levies
IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent. IFRIC 21 is effective for annual periods beginning on or after 1 January 2015. Initial application is in accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, i.e. the requirements are applied on a retrospective basis. The Company does not plan to adopt this standard early and has not yet determined the extent of the impact of this standard.

4. Financial risk management

4.1. Credit risk

Credit risk arises mainly from loans granted to the beneficiary euro area Member States and also from investments in available-for-sale financial assets related to the support programmes. As at 31 December 2014, loans and receivables contain the outstanding balances of loans granted to Ireland, Portugal and Greece amounting to € 190.4 billion (31 December 2013: € 179.3 billion).

Given the nature of the EFSF´s mandate, where credit risk from lending arises as a result of activities performed in support of borrower euro area Member States under a Financial Assistance Facility Agreement, the credit risk in the EFSF´s lending exposure must be accepted. The EFSF does not manage the inherent risk of non-payment of any borrower euro area Member State in relation to loans to euro area Member States. As such, financial assistance in line with the purpose of the EFSF is granted to euro area Member States experiencing severe financial problems, if indispensable to safeguard the financial stability of the euro area as a whole and of its members. Therefore, the assistance aims at providing financial support according to rules that differ from those of financial markets, meaning the overall aim is to accompany the borrower euro area Member State to a return to public financial stability.

The determination of debt sustainability and the close monitoring and conditionality attached to all financial assistance to borrower euro area Member States, as negotiated with the European Commission in liaison with the ECB and whenever possible the IMF addresses and mitigates credit risk. Moreover, EFSF applies an early warning procedure to monitor the ability of the borrower euro area Member State to repay its obligations.

From an investor´s point of view, the loan programmes were carefully designed to assure the EFSF's creditworthiness. To mitigate the exposure to the credit risk of the borrower euro area Member States, the Company has adopted a number of credit enhancement measures namely:

- irrevocable and unconditional guarantees granted by euro area Member States on the issued bonds;
- a general Cash Reserve from the loan (equal to the sum of a service fee and the present value of the Margin) which can be used to fund shortfalls on all loans made by EFSF;
- a Loan Specific Cash Buffer from the loan and by retaining the Negative Carry payment.

The Loan Specific Cash Buffer, in relation to loans under EFSF 1 ensures that the principal amount of debt securities (together with the interest) issued to fund that loan is at the date of issuance fully covered by the sum of:

- the aggregate amount of guarantees of Guarantors with the highest quality rating (taking into account the 120% guarantee coverage);
- the cash reserve retained from the Loan (financed out of Prepaid Margin and the Service Fee);
- the Negative Carry payment retained in respect of such Loan;
- the applicable Loan Specific Cash Buffer and;
- any other credit enhancement (if any) that is adopted pursuant to the Framework Agreement.

Under the amended EFSF 2.1 framework which was adopted by the Board of Directors on 27 October 2011, the credit enhancement mechanism was changed to focus on a higher level of over-guarantee of up to 165% which meant that the above mentioned general Cash Reserve and Loan Specific Cash Buffer were no longer required.

4.1.1. Risk concentrations: maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The following table shows the maximum exposure to credit risk for the components of the statement of financial position without taking into account any collateral and other credit enhancements. For on-balance-sheet positions, the exposures set out hereafter are based on net carrying amounts as reported in the statement of financial position.

In € '000	Maximum credit exposure 31.12.2014	31.12.2013
Cash and cash equivalents	3,038,096	239,166
Loans and advances to credit institutions	932,859	3,485,462
Loans to euro area Member States	190,392,823	179,279,794
Available-for-sale financial assets	3,978,145	4,222,946
ESM related expenses	14,806	14,806
On balance sheet credit risk exposure	**198,356,729**	**187,242,174**
Contingent liabilities	1,810,204	11,354,574
Maximum credit risk exposure	**200,166,933**	**198,596,748**

Contingent liabilities represent undisbursed amounts of the financial assistance programmes to borrower euro area Member States. Any new disbursement is subject to conditionality attached to the specific financial assistance programme.

4.1.2. Credit risk on loans to euro area Member States

The following table shows the maximum exposure to credit risk for the components of the loans to countries in financial difficulties, by geography of counterparty.

In € '000	Maximum credit exposure 31.12.2014	31.12.2013
Loans under EFSF 1		
- to Ireland	4,224,761	4,211,327
- to Portugal	7,141,139	7,127,628
Loans under EFSF 2.1		
- to Ireland	14,316,197	14,298,919
- to Portugal	20,301,617	19,020,024
- to Greece	144,409,109	134,621,896
Loans to euro area Member States	**190,392,823**	**179,279,794**

4.1.3. Credit risk on available-for-sale financial assets

For available-for-sale financial assets, which principally contain those funds that serve as credit enhancement, EFSF established strict investment guidelines that focus on issuers with the highest credit standings in euro and included a limit structure to mitigate the maximum exposure per counterparty. At the reporting date, the EFSF invested in Eurozone Government Bonds as well as bonds issued by supranational institutions. All bonds are denominated in Euro.

4.1.4. Credit ratings

The following tables show the breakdown of the financial assets per credit rating given by Moody's, Standard & Poor's and Fitch. In respect of debt securities including fixed-income securities, the credit ratings of individual issuances (or in the case of short-term securities their long-term rating equivalents) are presented. In case the ratings of issuances are not available the issuers rating is presented. For other financial assets the credit ratings of the counterparties are presented.

In € '000	Moody's	Standard & Poor's	Fitch	Balance as of 31.12.2014
Cash and cash equivalents	NR**	NR**	NR**	2,873,906
	Aa1	AA+	NR	164,190
Loans and advances to credit institutions***	NR	NR	NR	932,859
Loans to euro area Member States	Baa1	A	A-	18,541,476
	Ba1	BB	BB+	27,442,238
	Caa1	B-	B-	144,409,109
Available-for-sale financial assets*	Aaa	AAA	AAA	1,396,337
	Aaa	AA+	AAA	86,821
	Aaa	AA+	NR	33,666
	Aaa	AA	AA	674,676
	Aa3	AA	AA	38,916
	Aa1	AA	AA	279,256
	Aa1	NR	AA	1,468,433
Total				**198,341,883**

In € '000	Moody's	Standard & Poor's	Fitch	Balance as of 31.12.2013
Cash and cash equivalents	NR**	NR**	NR**	161,869
	Aa1	AA+	NR	77,297
Loans and advances to credit institutions***	NR	NR	NR	3,485,462
Loans to euro area Member States	Baa1	BBB+	BBB+	18,510,246
	Ba3	BB	BB+	26,147,652
	Caa3	B-	B-	134,621,896
Available-for-sale financial assets*	Aaa	AAA	AAA	1,359,185
	Aaa	AA+	AAA	770,663
	Aaa	AA+	NR	23,311
	Aa1	AA	AA+	381,106
	Aa1	NR	AA+	1,416,252
	Aa3	AA	AA	272,389
Total				**187,227,328**

NR – Not rated by the rating agency
* Excluding the participations (described in Note 10) which are not rated.
** Cash and cash equivalents includes balances placed with Eurosystem central banks, which do not have ratings.
*** Loans and advances to credit institutions entirely consist of reverse repo transactions traded on the Eurex Exchange. Eurex as a trading platform is not rated.

4.2. Market risk

To mitigate market risk, the EFSF aims to match its funding instruments with its loan profiles as far as possible to avoid open positions that are subject to structural market risk. At present, the EFSF's loans are longer in maturity than its funding, hence there is a structural maturity mismatch which gives rise to refinancing risk.

Until November 2011, the EFSF used a back-to-back approach to funding, whereby liabilities were exactly matched to assets. It then adopted a diversified funding strategy. Under the new strategy, funds are not attributed directly to a particular loan or loans, but pooled to support disbursements to beneficiary countries. A combination of long-term and short-term instruments is used, and any cash raised in excess of lending requirements serves as a liquidity buffer, a key component of this approach. As a consequence of the diversified funding strategy, the EFSF accepts mismatches between its assets and its liabilities. The average cost of funding is, however, invoiced to beneficiary countries, neutralising the EFSF's structural interest rate exposure in financial terms.

The available-for-sale financial assets for the credit enhancement portfolios follow a strict maturity profile in accordance with the related funding programme, so that although market risk is assumed on the portfolio from one accounting period to the next the impact on the EFSF over the life of the investments is strictly limited to what has been agreed as accepted under these programmes.

4.2.1. Interest rate risk

Securities issued, and the available-for-sale financial assets, are fixed rate or floating rate products. Loans and receivables granted to the beneficiary Member States are also fixed-rate or floating-rate products, reflecting perfectly the cost of funding incurred by the EFSF in financing these loans.

As at 31 December 2014, the sensitivity to a general movement in the interest rate yield curve on the available-for-sale portfolio was € −1.26 million in fair-value reserve for a one basis-point increase in rates (2013: € −1.51 million). Investments are all managed under formal guidance that specifies a maximum maturity date for each tranche of credit enhancement. Although the stated interest rate risk applies to the EFSF equity on an accounting period basis via the available-for-sale rules (refer to Note 10), it is not a risk that is actively managed or mitigated since the programmes concerned have stipulated that bonds should be purchased with proceeds from EFSF issuance and constrained to certain fixed maturity dates. Additionally, investment of the periodic coupons from bond holdings and of any cash buffer takes place from time to time.

4.3. Currency risk

All the debt securities issued, and the loans and receivables granted to the programme countries, as well the available-for-sale portfolio, are denominated in euro. The Company does not therefore face any currency risk.

4.4. Liquidity risk

The EFSF monitors its liquidity position on a regular basis and will honour its obligations under its issued bonds and bills from proceeds that stem from its support programmes.

The EFSF required payments under its issued bonds and bills benefit from guarantees by euro area Member States. There is an established detailed procedure which governs the operation of these guarantees. The EFSF will make a demand to guarantor euro area Member States under the Deed of Guarantees if it determines on any date during the calculation period or the cut-off period as defined in the Deed of Guarantees that it has a cash shortfall in available funds in respect to the payments scheduled to be made on the relevant due date.

The loans specific cash buffer and other cash buffers are established in line with the EFSF framework agreement, and constitute liquid assets from which the EFSF will be able to assure payments under its issued bonds and bills. Surplus cash held by the Company over and above the balance required for working capital management is invested in interest bearing current accounts, time deposits, money market deposits and marketable securities. Instruments are chosen with appropriate maturities and sufficient liquidity to provide adequate headroom, as determined by EFSF forecasts.

The following table analyses the gross undiscounted cash outflows and inflows on financial assets and liabilities of the Company by maturity on the basis of the period remaining between the balance sheet date and the contractual maturity date. In case of financial assets and liabilities with undeterminable future cash flows only the known cash flows are presented in the table below.

As at 31 December 2014 in € '000	Up to 12 months	1 to 5 years	Over 5 years	Total
ASSETS				
Cash and cash equivalents	3,038,096	-	-	**3,038,096**
Loans and advances to credit institutions	932,859	-	-	**932,859**
Loans to euro area Member States	3,072,376	11,064,019	203,488,906	**217,625,302**
Available-for-sale financial assets	145,212	2,472,845	1,392,176	**4,010,233**
ESM related expenses	14,806	-	-	**14,806**
Total financial assets	**7,203,349**	**13,536,864**	**204,881,082**	**225,621,296**
LIABILITIES				
Debt securities in issue	14,386,695	89,724,980	115,205,900	**219,317,575**
Liability against euro area Member States	197,374	942,521	892,047	**2,031,942**
Trade and other payables	39,410	-	-	**39,410**
Total financial liabilities	**14,623,479**	**90,667,501**	**116,097,947**	**221,388,927**
Net of financial position	**(7,420,130)**	**(77,130,637)**	**88,783,135**	**4,232,369**

As at 31 December 2013 in € '000	Up to 12 months	1 to 5 years	Over 5 years	Total
ASSETS				
Cash and cash equivalents	239,166	-	-	**239,166**
Loans and advances to credit institutions	3,485,462	-	-	**3,485,462**
Loans to euro area Member States	2,250,890	7,335,756	205,964,223	**215,550,869**
Available-for-sale financial assets	506,920	2,491,081	1,437,619	**4,435,620**
ESM related expenses	14,806	-	-	**14,806**
Total financial assets	**6,497,244**	**9,826,837**	**207,401,842**	**223,725,923**
LIABILITIES				
Debt securities in issue	26,590,842	74,785,325	109,925,305	**211,301,472**
Liability against euro area Member States	173,045	967,640	919,691	**2,060,376**
Trade and other payables	18,614	-	-	**18,614**
Total financial liabilities	**26,782,501**	**75,752,965**	**110,844,996**	**213,380,462**
Net of financial position	**(20,285,257)**	**(65,926,128)**	**96,556,846**	**10,345,461**

4.5. Operational risk

Operational risk is defined as the potential loss resulting from inadequate or failed internal processes, people and system or from external events.

No actual operational risk losses were identified in 2014.

All departments are responsible for proactive mitigation of operational risks and for the robustness of the controls in their processes. In case specific operational risk events are identified, these are reported to an internal operational risk register. All departments, with support from the Operational Risk function, perform a root-cause analysis and implement improvements in the underlying processes and controls in order to reduce the probability of re-occurrence.

4.6. Capital management

The Company's objective when managing capital is safeguarding the Company's activity. The Company's lending costs reflect funding costs and the operational costs. The Company is entitled to charge up-front service fees and annual service fees to cover its operational costs. The shareholders, if necessary and as occurred in 2011, are willing to raise capital to support the Company's capital structure.

The Management regularly monitors the Company's capital structure on the basis of the ratio of total shareholders' equity excluding revaluation reserve per ordinary shares. As at 31 December 2014, this ratio is 1,094% (2013: 669%).

The Company shall be dissolved and liquidated when its purpose is fulfilled, in other words, when the Company has received full payment of the financing granted to the Member States and has repaid its liabilities under the financial instruments issued and financing arrangements entered into.

5. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date.

When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

The tables below set out a comparison of the fair value, by the level of the fair value hierarchy, and the carrying amounts of the Company's financial assets and financial liabilities that are carried in the financial statements. The tables do not include the fair value of non-financial assets and non-financial liabilities. For financial instruments not carried at fair value, fair values are provided for disclosure purposes only and do not impact the balance sheet or income statement.

Changes in Level 3 compared to 2013 are only related to an increase in trade and other payables.

	Fair value				
31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying amount**
Assets carried at fair value:					
Available-for-sale financial assets	3,978,105	-	40	3,978,145	3,978,145
Total	**3,978,105**	**-**	**40**	**3,978,145**	**3,978,145**
Assets carried at amortised cost:					
Cash and cash equivalents	-	3,038,096	-	3,038,096	3,038,096
Loans and advances to credit institutions	-	932,859	-	932,859	932,859
Loans to euro area Member States	-	193,816,085	-	193,816,085	190,392,823
ESM related expenses	-	-	14,806	14,806	14,806
Total	-	**197,787,040**	**14,806**	**197,801,846**	**194,378,584**
Total financial assets	**3,978,105**	**197,787,040**	**14,846**	**201,779,991**	**198,356,729**
Liabilities carried at amortised cost:					
Debt securities in issue	159,955,706	49,825,555	-	209,781,261	195,717,836
Liability against euro area Member States	-	2,001,333	-	2,001,333	1,951,776
Trade and other payable	-	-	39,410	39,410	39,410
Total	**159,955,706**	**51,826,888**	**39,410**	**211,822,004**	**197,709,022**
Total financial liabilities	**159,955,706**	**51,826,888**	**39,410**	**211,822,004**	**197,709,022**

	Fair value				
31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying amount**
Assets carried at fair value:					
Available-for-sale financial assets	4,222,906	-	40	4,222,946	4,222,946
Total	**4,222,906**	**-**	**40**	**4,222,946**	**4,222,946**
Assets carried at amortised cost:					
Cash and cash equivalents	-	239,166	-	239,166	239,166
Loans and advances to credit institutions	-	3,485,462	-	3,485,462	3,485,462
Loans to euro area Member States	-	181,653,601	-	181,653,601	179,279,794
ESM related expenses	-	-	14,806	14,806	14,806
Total	**-**	**185,378,229**	**14,806**	**185,393,035**	**183,019,228**
Total financial assets	**4,222,906**	**185,378,229**	**14,846**	**189,615,981**	**187,242,174**
Liabilities carried at amortised cost:					
Debt securities in issue	130,419,961	58,345,987	-	188,765,948	184,908,013
Liability against euro area Member States	-	1,892,895	-	1,892,895	1,867,869
Trade and other payable	-	-	18,614	18,614	18,614
Total	**130,419,961**	**60,238,882**	**18,614**	**190,677,457**	**186,794,496**
Total financial liabilities	**130,419,961**	**60,238,882**	**18,614**	**190,677,457**	**186,794,496**

Assets for which carrying value approximates fair value
For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months), it is assumed that the carrying amount approximates their fair value.

Loans to euro area Member States
The fair value of loans to euro area Member States is determined using valuation techniques with observable inputs. Financial support is provided by the EFSF according to rules that differ from those of financial markets. In light of this specificity the present values of the loans are calculated using a discounted cash flow model which takes into account the related funding cost of the EFSF.

Assets and liabilities recorded at fair value
Published price quotations in an active market are the first source for determining the fair value of a financial instrument. For instruments without available market price, fair values are estimated using valuation techniques or models based whenever possible on observable market data prevailing at the balance sheet date.

Debt securities in issue
Published price quotations in an active market are the first source for determining the fair value of the debt securities in issue. If public price is not available, especially for private placement in case of back-to-back funding, the fair value is determined using valuation techniques with observable inputs. For such cases the fair value is calculated using a discounted cash flow model which takes into account specific factors such as the funding cost of other debt securities in issue with available published price quotations.

Liability against euro area Member States
The liability against euro area Member States represents amounts collected and held by the EFSF and which are due to euro area Member States, such as the margin in relation to the financial assistance programmes under EFSF 1 and the guarantee commission fee. Since the amounts are invested until their payment is due, the fair value is determined based on the fair value of the underlying investments. This fair value will not necessary reflect the final liability due at payment date.

6. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Up-front service fee amortisation under EFSF 2.1

For the loans granted to Ireland, Greece and Portugal under EFSF 2.1, the EFSF charged an up-front service fee of 0.5% of the notional amount of the loan to cover its operational cost. The EFSF recognises the up-front service fees over a seven year period, to matching them as closely as possible to the economy of the business and to the occurrences of the expenses aimed to cover. In 2014, €'000 123,280 (2013: €'000 106,135) of service fee was recognised in the statement of comprehensive income under interest and similar income.

Impairment of loans and receivables

The Company, following the guidance of IAS 39, reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded.

In particular for Loans to euro area Member States, in light of the specific purpose of the EFSF as described in Note 4.1., judgement by the management of the Company is required in the estimation of the amount and timing of future cash flows when determining the level of impairment required. Such estimates are based on assumptions about a number of factors and actual results. The EFSF monitors closely the ability of the borrower euro area Member State to repay its obligations. In the event that payments are more than 180 days overdue, a loan is deemed to be non-performing and consequently the need for impairment is assessed. Loans to euro area Member States have been tested for impairment based on reliably measurable current data to identify any objective evidence of impairment, as required by IAS 39. The test returned that no impairment loss has been incurred as at 31 December 2014.

The fair value of loans and receivables at initial recognition

The fair value of the loans to euro area Member States at initial recognition is deemed to be the cash consideration to originate a purchase of the loans including any transaction costs given that these loans to euro area Member States are made in line with the Company's specific mandate as described in Note 4.1.

7. Cash and cash equivalents (in € '000)

The composition of cash and cash equivalents is as follows:

	31.12.2014	31.12.2013
Cash at bank and on hand	2,883,029	163,929
Short-term bank deposits	155,067	75,237
Total cash and cash equivalent	**3,038,096**	**239,166**

8. Loans and advances to credit institutions (in € '000)

The loans and advances to credit institutions are entirely composed of reverse repurchase agreements ('reverse repo'), which are transactions traded on regulated markets.

As at 31 December 2014 reverse repos amount to €'000 932,859 (2013: €'000 3,485,462).

9. Loans to euro area Member States (in € '000)

The following table shows the geographical breakdown of loans per financial assistance programmes and by borrowing country:

	Nominal amount	Carrying value as at 31 December 2014
Loans under EFSF 1		
- to Ireland	4,193,836	4,224,761
- to Portugal	7,127,669	7,141,139
Loans under EFSF 2.1		
- to Ireland	14,216,833	14,316,197
- to Portugal	20,200,623	20,301,617
- to Greece	143,844,238	144,409,109
Total	**189,583,199**	**190,392,823**

	Nominal amount	Carrying value as at 31 December 2013
Loans under EFSF 1		
- to Ireland	4,193,836	4,211,326
- to Portugal	7,127,669	7,127,628
Loans under EFSF 2.1		
- to Ireland	14,216,833	14,298,920
- to Portugal	18,950,000	19,020,024
- to Greece	134,301,478	134,621,896
Total	**178,789,816**	**179,279,794**

The following table shows the movements of the loans to euro area Member States:

	31.12.2014	31.12.2013
Balance as at 1 January	**179,279,794**	**140,658,968**
New disbursements	10,745,631	38,136,677
- to Ireland	-	*5,638,499*
- to Portugal	*1,244,370*	*6,567,000*
- to Greece	*9,501,261*	*25,931,178*
Discount amortisation	34,658	35,166
Up-front service fee amortisation	123,280	106,218
Change in accrued interest and loan related fees	209,460	342,765
Balance as at 31 December	**190,392,823**	**179,279,794**

From the total balance of loans to euro area Member States, an amount of €'000 1,525,212 (2013: €'000 809,275) is due within 12 months and considered as current asset. This amount consists entirely of interest and fee accruals on the loans disbursed as there are no repayments of nominal amounts of loans due within the next 12 months.

10. Available-for-sale financial assets (in € '000)

The available-for-sale financial assets are composed of a portfolio of debt instruments. The following table shows the movements in the available-for-sale assets:

	2014	2013
Balance as at 1 January	**4,222,946**	**3,836,431**
Additions	2,608,986	8,807,245
Disposals	(2,913,949)	(8,303,483)
Discount and premium amortisation	(20,242)	(17,200)
Change in accrued interest	1,325	1,860
Change in fair value	79,079	(101,907)
Balance as at 31 December	**3,978,145**	**4,222,946**

As at 31 December 2014, the amortised cost of the available-for-sale assets was € '000 3,642,035 (2013: € '000 3,965,876), against a market value of € '000 3,978,145 (2013: € '000 4,222,946). The differences present the fair-value unrealised gain as revaluation reserve which amounts as at 31 December 2014 to € '000 336,110 (2013: € '000 257,030).

From the total balance of available-for-sale financial assets, an amount of € '000 93,159 (2013: € '000 384,788) is due within 12 months and considered as current asset. This amount includes interest accruals and the book value of securities maturing within 12 months.

The available-for-sale financial assets include the EFSF's participation in the European Sovereign Bond Protection Facility (ESBPF) amounting to € '000 9 representing the 30% of the shares of the ESBPF and its participation in the European Sovereign Bond Investment Facility (ESBIF) amounting to € '000 31 representing 100% of the shares of the ESBIF.

On 5 January 2012 the ESBPF and on 19 January 2012 the ESBIF were created, both as a société anonyme incorporated in Luxembourg. These entities were created subsequent to the decision of the euro area Finance Ministers on 26 October 2011 to increase the EFSF's firepower by optimising its lending capacity within the existing Framework Agreement without extending the amount of guarantees by Member States.

The fair values of the available-for-sale assets are determined based on quoted market prices which represent the first level of the fair value hierarchy except for the participations for € '000 40 in ESBPF and in ESBIF. The securities of the available-for-sale portfolio are quoted on active markets (level 1) except for the participations in ESBPF and ESBIF (level 3).

The table below sets out information about significant unobservable inputs used as at 31 December 2014 and 31 December 2013 in measuring financial instruments categorised as level 3 in the fair value hierarchy:

(in €'000)	Valuation technique and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
40	n/a as all the direct equity investments are valued at cost less impairment	n/a	n/a

There was no change in valuation techniques during the year. The Company's policy is to recognise the transfers between Levels as of the date of the event or change in circumstances that caused the transfer.

11. Property, plant and equipment (in € '000)

The following table shows the movements of the property, plant and equipment during the year 2014:

	Furniture and equipment	Total tangible assets
Historical cost		
Balance as at 1 January 2014	19	19
Additions	-	-
Balance as at 31 December 2014	19	19
Accumulated depreciation		
Balance as at 1 January 2014	(11)	(11)
Depreciation	(4)	(4)
Balance as at 31 December 2014	(15)	(15)
Net Book value		
Balance as at 31 December 2014	**4**	**4**
Balance as at 31 December 2013	**8**	**8**

12. Prepayments and deferred charges (in € '000)

As at 31 December 2014, the prepayments are entirely composed of invoices paid in advance and amounts to € '000 196 (2013: € '000 164).

13. ESM related expenses (in € '000)

The receivables related to the ESM correspond to the set up costs paid by the EFSF concerning the implementation of the ESM. This Company has been operating from 8 October 2012 and the deferred expenses will be refunded to the EFSF during 2015.

As at 31 December 2014, the amount of ESM related expenses is € '000 14,806 (2013: € '000 14,806).

14. Debt securities in issue (in € '000)

The table below discloses the details of debt outstanding as at 31 December 2014, together with their rates and maturity dates.

Financial assistance programmes	ISIN code	Nominal Amount	Maturity date	Coupon
Issues under EFSF 1				
Ireland	EU000A1G0AA6	5,000,000	18/07/2016	2.750%
Portugal	EU000A1G0AB4	5,000,000	05/07/2021	3.375%
Portugal	EU000A1G0AC2	3,000,000	05/12/2016	2.750%
Issues under EFSF 2.1				
Ireland	EU000A1G0AD0	3,000,000	04/02/2022	3.500%
Ireland/Portugal	EU000A1G0AE8	3,000,000	04/02/2015	1.625%
Greece	EU000A1G0A57	5,000,000	19/12/2022	0.518%*
Greece	EU000A1G0A65	5,000,000	19/12/2023	0.528%*
Greece	EU000A1G0A73	6,000,000	19/12/2024	0.538%*
Greece	EU000A1G0AL3	5,000,000	19/04/2018	0.642%*
Greece	EU000A1G0AM1	5,000,000	19/04/2019	0.752%*
Greece	EU000A1G0AN9	5,000,000	19/04/2020	0.822%*
Greece	EU000A1G0AP4	5,000,000	19/04/2021	0.892%*
Greece	EU000A1G0AQ2	5,000,000	19/04/2022	0.952%*
Greece	EU000A1G0BE6	3,600,000	30/05/2024	0.512%*
Greece	EU000A1G0BD8	3,600,000	30/05/2025	0.522%*
Issues under short term funding				
Short term	EU000A1G0DA0	4,000,000	15/07/2015	0.08%

European Financial Stability Facility

The table continued from the previous page.

Financial assistance programmes	ISIN code	Nominal Amount	Maturity date	Coupon
Issues under long term funding				
Long term	EU000A1G0A16	3,974,350	05/09/2022	2.250%
Long term	EU000A1G0A24	5,900,000	30/11/2017	1.125%
Long term	EU000A1G0AJ7	2,500,000	30/03/2032	3.875%
Long term	EU000A1G0AK5	4,960,000	15/05/2017	2.000%
Long term	EU000A1G0AR0	5,500,000	02/05/2019	2.625%
Long term	EU000A1G0AS8	4,483,600	01/06/2015	1.125%
Long term	EU000A1G0AT6	3,500,000	03/04/2037	3.375%
Long term	EU000A1G0AU4	6,000,000	15/09/2017	1.625%
Long term	EU000A1G0A81	8,000,000	22/01/2020	1.500%
Long term	EU000A1G0A99	5,000,000	05/02/2018	1.250%
Long term	EU000A1G0BA4	5,500,000	07/03/2016	0.500%
Long term	EU000A1G0BB2	8,000,000	16/04/2018	0.875%
Long term	EU000A1G0BC0	5,000,000	23/05/2023	1.875%
Long term	EU000A1G0BF3	4,000,000	05/06/2017	0.750%
Long term	EU000A1G0BG1	5,986,250	17/07/2020	1.625%
Long term	EU000A1G0BH9	6,000,000	31/07/2018	1.250%
Long term	EU000A1G0BJ5	3,000,000	04/09/2034	3.000%
Long term	EU000A1G0BL1	1,500,000	03/12/2029	2.750%
Long term	EU000A1G0BK3	6,000,000	29/10/2020	1.750%
Long term	EU000A1G0BM9	8,000,000	22/01/2019	1.250%
Long term	EU000A1G0BN7	4,000,000	19/02/2024	2.125%
Long term	EU000A1G0BP2	5,000,000	07/06/2021	1.375%
Long term	EU000A1G0BQ0	4,500,000	27/06/2024	1.750%
Long term	EU000A1G0BR8	3,000,000	18/10/2017	0.250%
Long term	EU000A1G0DB8	4,000,000	29/07/2044	2.350%
Total		**194,504,200**		

* For floating rate bonds the rate applicable at balance sheet date is presented

European Financial Stability Facility

The table below discloses the details of debt outstanding as at 31 December 2013, together with their rates and maturity dates.

Financial assistance programmes	ISIN code	Nominal Amount	Maturity date	Coupon
Issues under EFSF 1				
Ireland	EU000A1G0AA6	5,000,000	18/07/2016	2.750%
Portugal	EU000A1G0AB4	5,000,000	05/07/2021	3.375%
Portugal	EU000A1G0AC2	3,000,000	05/12/2016	2.750%
Issues under EFSF 2.1				
Ireland	EU000A1G0AD0	3,000,000	04/02/2022	3.500%
Ireland/Portugal	EU000A1G0AE8	3,000,000	04/02/2015	1.625%
Greece	EU000A1G0AG3	14,844,504	12/03/2014	1.000%
Greece	EU000A1G0A57	5,000,000	19/12/2022	0.734%**
Greece	EU000A1G0A65	5,000,000	19/12/2023	0.744%**
Greece	EU000A1G0A73	6,000,000	19/12/2024	0.754%**
Greece	EU000A1G0AL3	5,000,000	19/04/2018	0.805%**
Greece	EU000A1G0AM1	5,000,000	19/04/2019	0.916%**
Greece	EU000A1G0AN9	5,000,000	19/04/2020	0.985%**
Greece	EU000A1G0AP4	5,000,000	19/04/2021	1.056%**
Greece	EU000A1G0AQ2	5,000,000	19/04/2022	1.116%**
Greece	EU000A1G0BE6	3,600,000	30/05/2024	0.657%**
Greece	EU000A1G0BD8	3,600,000	30/05/2025	0.667%**
Issues under short term funding				
Short term	EU000A1G0CN5	500,000	20/02/2014	ZC*
Short term	EU000A1G0CP0	1,350,000	20/03/2014	ZC*
Short term	EU000A1G0CR6	1,972,300	06/02/2014	ZC*
Short term	EU000A1G0CQ8	2,461,000	24/04/2014	ZC*
Short term	EU000A1G0CS4	1,983,600	22/05/2014	ZC*
Short term	EU000A1G0CT2	800,000	06/03/2014	ZC*

European Financial Stability Facility

The table continued from the previous page.

Financial assistance programmes	ISIN code	Nominal Amount	Maturity date	Coupon
Issues under long term funding				
Long term	EU000A1G0A16	3,974,350	05/09/2022	2.250%
Long term	EU000A1G0A24	5,900,000	30/11/2017	1.125%
Long term	EU000A1G0AJ7	2,500,000	30/03/2032	3.875%
Long term	EU000A1G0AK5	4,960,000	15/05/2017	2.000%
Long term	EU000A1G0AR0	5,500,000	02/05/2019	2.625%
Long term	EU000A1G0AS8	4,483,600	01/06/2015	1.125%
Long term	EU000A1G0AT6	3,500,000	03/04/2037	3.375%
Long term	EU000A1G0AU4	6,000,000	15/09/2017	1.625%
Long term	EU000A1G0A81	8,000,000	22/01/2020	1.500%
Long term	EU000A1G0A99	5,000,000	05/02/2018	1.250%
Long term	EU000A1G0BA4	5,500,000	07/03/2016	0.500%
Long term	EU000A1G0BB2	8,000,000	16/04/2018	0.875%
Long term	EU000A1G0BC0	5,000,000	23/05/2023	1.875%
Long term	EU000A1G0BF3	4,000,000	05/06/2017	0.750%
Long term	EU000A1G0BG1	5,986,250	17/07/2020	1.625%
Long term	EU000A1G0BH9	4,000,000	31/07/2018	1.250%
Long term	EU000A1G0BJ5	3,000,000	04/09/2034	3.000%
Long term	EU000A1G0BL1	1,500,000	03/12/2029	2.750%
Long term	EU000A1G0BK3	6,000,000	29/10/2020	1.750%
Total		**183 915 604**		

* Zero-coupon bond
** For floating rate bonds the rate applicable at balance sheet date is presented

The following table shows the movements of the debt securities in issue:

	2014	2013
Balance as at 1 January	**184,908,013**	**157,882,209**
Issuance during the year	50,230,012	87,614,695
Maturities during the year	(39,674,912)	(60,998,396)
Premium amortisation	68,519	41,472
Change in accrued interest	186,204	368,033
Balance as at 31 December	**195,717,836**	**184,908,013**

All debt securities in issue as at 31 December 2014 are backed by irrevocable and unconditional guarantees of the euro area Member States.

From the total balance of debt securities in issue, an amount of € '000 11,559,177 (2013: € '000 25,220,935) is due within 12 months and considered as current liability. This amount includes interest accruals of issued debt and the carrying value of securities maturing within 12 months.

As at 31 December 2014, the total fair value of the debt securities in issue (including their accrued interest) amounts to € '000 209,224,775 (2013: € '000 188,765,948) based on quoted market prices.

15. Liability against euro area Member States (in € '000)

Under the financial assistance programmes running under EFSF 1, the Margin deducted from the loan amount at disbursement date is booked as an amount held as cash reserve. This Margin will be paid out at maturity if all payments on the issued bonds are met. In case of shortfall on the bond payments, this will be used for meeting the obligations arisen from the bond issue.

The Margin will be paid out on a pro rata basis. For the period before 21 July 2011, the Margin will be paid to the Member State Guarantors, while for the period after 21 July 2011, the Margin can be paid back to beneficiary Member States as a rebate. The payments at maturity should equal the initial margin amount and any investment return (interests) on the underlying made from the respective part of the cash reserve.

This Margin is included in the balance sheet position "Liability against euro area Member States".

Moreover, the EFSF is entitled to charge 10 basis points of guarantee commission fee for loans granted under EFSF 2.1 where such a guarantee commission fee is the remuneration for the guarantor Member States. In parallel of the accrual of such income on the loans granted to euro area Member States, the Company recognises a liability against the euro area Member States at the same time for the same amount. But with the signature of the Master Financial Assistance Facility Agreement with Greece the guarantee commission fee has been reduced to zero basis points per annum for the time being without retroactive effect.

The following tables show the balance of the components per financial assistance programmes:

2014	Nominal amount	Return on underlying investments	Total liabilities
Financial assistance under EFSF 1			
Ireland			
- Rebate for the borrowing countries	484,640	50,255	**534,895**
- Margin as remuneration for the MSG*	45,170	4,684	**49,854**
Portugal			
- Rebate for the borrowing countries	1,091,895	124,128	**1,216,023**
- Margin as remuneration for the MSG*	9,560	1,087	**10,647**
Financial assistance under EFSF 2.1			
Ireland			
- Guarantee commission fee	33,477	-	**33,477**
Portugal			
- Guarantee commission fee	41,574	-	**41,574**
Greece			
- Guarantee commission fee	65,306	-	**65,306**
Balance as at 31 December 2014	**1,771,622**	**180,154**	**1,951,776**

* Member State Guarantors

2013	Nominal amount	Return on underlying investments	Total liabilities
Financial assistance under EFSF 1			
Ireland			
- Rebate for the borrowing countries	484,640	37,494	**522,134**
- Margin as remuneration for the MSG*	45,170	3,494	**48,664**
Portugal			
- Rebate for the borrowing countries	1,091,895	88,643	**1,180,538**
- Margin as remuneration for the MSG*	9,560	776	**10,336**
Financial assistance under EFSF 2.1			
Ireland			
- Guarantee commission fee	18,595	-	**18,595**
Portugal			
- Guarantee commission fee	22,296	-	**22,296**
Greece			
- Guarantee commission fee	65,306	-	**65,306**
Balance as at 31 December 2013	**1,737,462**	**130,407**	**1,867,869**

* Member State Guarantors

The total balance of liability against euro area Member States is considered as non-current liability.

As at 31 December 2014 the total estimated fair value of the position liability against euro area Member States amounts to € '000 2,001,333 (2013: € '000 1,892,895).

16. Trade and other payables (in € '000)

The following table shows the breakdown of trade and other payables which are reported as current liabilities and are expected to be settled within no more than 12 months after the date of the statement of financial position:

	31.12.2014	31.12.2013
Amount charged by ESM for administrative services	38,259	17,009
Trade payables	935	1,170
Accrued expenses	216	435
Total trade and other payables	**39,410**	**18,614**

17. Share capital

	Number of shares (in thousands)	Ordinary shares (in €'000)	Total (in €'000)
At 1 January 2014	**2,851,339**	**28,513**	**28,513**
Proceeds from shares issued	-	-	-
At 31 December 2014	**2,851,339**	**28,513**	**28,513**
At 1 January 2013	**2,851,339**	**28,513**	**28,513**
Proceeds from shares issued	-	-	-
At 31 December 2013	**2,851,339**	**28,513**	**28,513**

By resolutions dated 30 June 2011, the Board of Directors of the Company approved the increase of the share capital of the Company by reserving to the existing shareholders their preferential subscription rights, by a total amount of € 10,000,000, in order to raise it from its previous amount of € 18,440,453.35 to € 28,440,453.35 by creating and issuing 1,000,000,000 new shares with a par value of € 0.01 each, such capital increase being effective upon receipt of all the subscription funds.

As a consequence of the increase of the share capital with effect from 29 July 2011, the subscribed share capital of the Company amounts to € 28,440,453.35, divided into 2,844,045,335 shares, with a par value of € 0.01 each.

In addition to the subscribed share capital, the Company had an unissued but authorised share capital set at € 1,590,546.65 to be divided into 159,054,665 shares of a par value of € 0.01 each.

By resolutions dated 27 October 2011 further to the integration of Estonia in EFSF, the Board of Directors of the Company approved the increase of the share capital of the Company without reserving to the existing shareholders their preferential subscription rights, by a total amount of € 72,943.57, in order to raise it from its previous amounted to € 28,440,453.35 to € 28,513,396.92 by creating and issuing 7,294,357 new shares with a par value of € 0.01 each.

In addition to the subscribed share capital, the Company has an unissued but authorised share capital set at € 1,517,603.08 to be divided into 151,760,308 shares of a par value of € 0.01 each.

18. Reserves (in € '000)

The following table shows the reserves:

	2014	2013
Fair value reserve	336,110	257,030
Legal reserve	2,894	2,894
Total reserves	**339,004**	**259,924**

In accordance with Luxembourg law the Company allocated € '000 2,894 to the legal reserve for the first time in 2013. There was no additional allocation to the legal reserve during the year. This reserve may be distributed to shareholders only in the event of the liquidation of the Company.

19. Interest and similar income and expenses (in € '000)

The following table shows the net interest margin:

	2014	2013
Interest and similar income		
on cash and cash equivalents	1	-
on loans to credit institutions	5,623	1,360
on loans to euro area Member States	3,048,879	2,413,223
on available-for-sale financial assets	103,917	103,260
Total interest and similar income	**3,158,420**	**2,517,843**
Interest and similar expenses		
on cash and cash equivalents	(1)	(2)
on liability against euro area Member States	(49,746)	(49,629)
on debt securities in issue	(2,926,168)	(2,320,119)
Total interest and similar expenses	**(2,975,915)**	**(2,369,750)**
Net interest margin	**182,505**	**148,093**

20. Other expenses (in € '000)

Other expenses are mainly composed of guarantee commission fees due to Member State Guarantors in relation with EFSF 2.1 programme for an amount of € '000 34,160 as at 31 December 2014 (2013: € '000 22,493).

In 2014, the EFSF entered into two committed purchase agreements with two of the financial institutions that act as dealers in relation to the EFSF Debt Issuance Programme. Under these agreements, each of the two financial institutions committed to subscribing short-term notes issued by the EFSF up to a certain commitment amount, in exchange for payment by the EFSF of a commitment fee calculated over the commitment amount. During 2014, the EFSF paid € '000 3,692 in commitment fees (2013: € '000 nil).

21. Administrative expenditures

Administrative expenditures consist of fees paid for professional services and miscellaneous operating expenses and are detailed as follows (in € '000):

	2014	2013
Amount charged by ESM for administrative services	(21,250)	(17,010)
Rating agencies fees	(937)	(721)
Stock exchange fees	(564)	(457)
Legal services	(173)	(609)
Funding and treasury fees	(13)	(1,751)
IT services	-	(175)
Advisory services	-	(30)
Other services	(764)	(365)
Total administrative expenditures	**(23,701)**	**(21,118)**

The EFSF has asked the ESM to provide certain administrative services and other support services in order to assist the EFSF in performing its activities. To formalise such cooperation the ESM and EFSF entered into a Service Level Agreement with the commencement date of 1 January 2013.

Under the terms of the Agreement the ESM is entitled to charge a Service Fees which is calculated with the objective to achieve a fair cost-sharing between the ESM and EFSF. The Service Fees represent the compensation for overhead cost, such as staff cost and other administrative cost incurred by the ESM. For the services provided during the financial year 2014, the ESM charged € 21.3 million to the EFSF (2013: € 17.0 million). The amount has not been paid yet at balance sheet date.

22. Employee salaries and benefits expenses (in € '000)

The following table shows the breakdown of the employee salaries and benefits expenses:

	2014	2013
Wages and salaries	-	(145)
Social security costs	-	(12)
Pension costs	-	(63)
Total employee salaries and benefits expenses	**-**	**(220)**

The EFSF staff was transferred to the ESM in 2013. The staff transfer was completed in the first quarter of 2013. The 2013 figures correspond to the staff members that were not transferred on 1 January 2013 and consequently reinvoiced on the EFSF payroll in the first quarter of 2013. In 2014, staff costs are included in the SLA fee charged by the ESM.

23. Segment reporting

Concerning segment reporting, the Company applies the "management approach" of IFRS 8 meaning that the definition for segments as well as the preparation of information used for segment reporting are both based on information prepared for internal management decisions.

The Company has one single reportable segment which is the Company's financial assistance activity comprising the Company's lending and funding operations.

24. Related-party transactions

Key Management

On 31 December 2014, the Board of Directors was composed of 17 Directors. They have the authority for planning, directing and controlling the Company's activities. These Directors were not entitled to remuneration during the period.

Transactions with shareholders

As disclosed in detail in Note 9, the Company gave loans to Ireland, Greece and Portugal which are also Company shareholders. As part of its activities, the EFSF also purchases debt securities issued by its shareholders. Such securities are reported as Available-for-sale financial assets in the statement of financial position. As at 31 December 2014, the total carrying amount of securities issued by shareholders of the EFSF was € 992.8 million (31 December 2013: € 1,346.0 million).

Transactions with the European Stability Mechanism

External expenses incurred by the EFSF in relation to setting up and running the ESM were recharged by the EFSF to the ESM together with other non-expense related items (refer to Note 13).

The EFSF has asked the ESM to provide certain administrative services and other support services to assist it in performing its activities. To formalise this cooperation the ESM and EFSF entered into a Service Level Agreement. Under the terms of the Agreement the ESM charged € 21.3 million to the EFSF for the financial year 2014 (2013: € 17.0 million), which had not yet been paid at balance sheet date (refer to Note 16). The EFSF recognised the amount as Administrative expenditures in the statement of comprehensive income.

During 2014 the ESM purchased short term notes issued by the EFSF. The aim of these purchases was to provide intermediate short term financing to the EFSF due to the transfer of the bill programme from the EFSF to the ESM. This allowed the EFSF to roll the short term funding of the former EFSF bill programme into long term funding. This transaction was of a temporary nature and was discontinued by the end of 2014. As at 31 December 2014 the ESM no longer held any EFSF-issued notes.

25. Auditor's fee (in € '000)

The total fees accrued by the Company to PricewaterhouseCoopers, Société coopérative are presented as follows:

	2014	2013
Legal audit	(258)	(151)
Other services	-	-
Total fees	**(258)**	**(151)**

26. Events after the reporting period

Following the elections in Greece on 25 January 2015, a new government was inaugurated on 26 January 2015. After intense negotiations between the newly-elected government and euro-area Member States, assisted by the European Commission, the ECB, and the IMF, the Greek government requested on 18 February an extension of the Master Financial Assistance Facility Agreement for Greece. On 27 February 2015 the EFSF Board of Directors decided to extend the programme a second time until 30 June 2015. The extension allows the Greek authorities to design and implement reforms that should lead to a successful conclusion of the review and the design of the follow-up arrangements. Greece has, to date, met all its scheduled payment obligations to the EFSF.

Except for those included in the other notes to the financial statements, there have been no other material post balance sheet events which could require disclosure or adjustment to the 31 December 2014 financial statements.

European Financial Stability Facility

Société anonyme

Siège social: 6a, Circuit de la Foire Internationale, L-1347 Luxembourg

Grand-Duché de Luxembourg

R.C.S. Luxembourg B 153.414

(ci-après désignée la « **Société** »)

ANNEXE

I. AFFECTATION DU RESULTAT :

Le conseil d'administration a proposé et l'assemblée générale a décidé de reporter sur l'exercice suivant le bénéfice de l'exercice social clos au 31 décembre 2014 se montant à 120.977.000,00 EUR.

Résultat net de l'exercice social clos au 31 décembre 2014	EUR	120.977.000,00
A reporter sur l'exercice suivant	EUR	120.977.000,00

II. CONSEIL D'ADMINISTRATION:

Le conseil d'administration de la Société actuellement en fonction se compose des personnes suivantes:

- **Mme Isabelle Goubin**, *conseiller de direction 1ère classe*, ayant son adresse professionnelle au Ministère des Finances, 3, rue de la Congrégation, L-2931 Luxembourg, Grand-Duché de Luxembourg;
- **M. Nicholas O'Brien**, *secrétaire assistant, Division Internationale et Européenne, département des finances*, ayant son adresse professionnelle au Departement des Finances, Upper Merrion Street, Dublin D2, Irelande;
- **Mme Isabel Castelo Branco**, *secrétaire d'Etat au* trésor, ayant son adresse professionnelle au 1 Avenida Infante D. Henrique, 1149-09 Lisbonne, Portugal;
- **M. Märten Ross**, *secrétaire général pour la politique financière et les relations extérieures*, ayant son adresse professionnelle au Ministere des Finances, 1 Suur-Ameerika, 15006 Tallinn, Estonie;
- **Dr. Thomas Steffen**, *secrétaire d'état*, ayant son adresse professionnelle au Ministère des Finances, 97 Wilhelmstrasse, 10117 Berlin, Allemagne;
- **Mme Alenka Jerkic**, *secrétaire permanente,* ayant son adresse professionnelle au Ministère des Finances, 3, Zupanciceva, 1000 Ljubljana, Slovénie;

- **M. Tuomas Saarenheimo**, *sous-secrétaire permanent au Ministère des finances*, ayant son adresse professionnelle au Snellmaninkatu 1 A, 00170 Helsinki, Finlande;
- **M. George Chouliarakis,** *président du Conseil des Conseillers Economiques au Ministère des Finances*, ayant son adresse professionnelle au 5-7, Nikis Str., 10180 Athènes, Grèce;
- **Mme Rosa María Sánchez-Yebra Alonso**, *secrétaire générale du Trésor*, ayant son adresse professionnelle au 6, Paseo del Prado, 28014 Madrid, Espagne;
- **M. Christos Patsalides**, *secrétaire permanent,* ayant son adresse professionnelle à Michael Karaoli & Gregori Afxentiou, 1439 Nicosia, Chypre;
- **M. Harald Waiglein**, *directeur général de la politique économique et des marchés financiers,* ayant son adresse professionnelle au 2b Hintere Zollamsstrasse, 1030 Vienne, Autriche;
- **M. Hans Vijlbrief**, *Trésorier général,* ayant son adresse professionnelle au 7, Korte Voorhout, 2511CW La Haye, Pays-Bas;
- **M. Vincenzo La Via**, *directeur général du trésor auprès du ministère de l'économie et des finance, département du trésor,* ayant son adresse professionnelle au 97 Via XX Settembre, 00187 Rome, Italie;
- **M. Bruno Bézard**, *directeur général du Trésor*, ayant son adresse profesionnelle au 139 rue de Bercy, 75572 Cedex 12 Paris, France;
- **M. Alfred Camilleri**, *secrétaire permanent,* ayant son adresse professionnelle au Ministère des Finances, South Street, CMR 02 Valletta, Malte;
- **M. Ivan Lesay**, *secrétaire d'Etat au Ministère des Finances*, ayant son adresse professionnelle au Stefanovicova 5, SK-817 02 Bratislava, Slovaquie;
- **M. Steven Costers**, *fonctionnaire au Service Public Fédéral des Finances et du Trésor*, ayant son adresse professionnelle au 61-63, rue de la Loi, 1040 Bruxelles, Belgique.

III. Réviseur d'entreprise agréé:

- **PricewaterhouseCoopers,** *réviseur d'entreprises agréé*, une société coopérative ayant son siège social au 2, rue Gerhard Mercator, L-2182 Luxembourg, Grand-Duché de Luxembourg et immatriculée auprès du Registre de Commerce et des Sociétés de Luxembourg sous le numéro B65477.